

Social responsibility of business at the enterprises of the forest industry

*Arseny Arkadievich Morozov**, *Galina Borisovna Kozyreva*, and *Tatyana Vasilyevna Morozova*

Institute of Economics of Karelian Research Center of RAS, Petrozavodsk, Russian Federation

Abstract. The article is devoted to one of the most important socio-economic categories - the social responsibility of business in the forestry sector. Forestry companies have been the target of public criticism for the mismanagement of forest resources, huge energy consumption, high exhaust emissions and water pollution. The forest industry faces challenges such as environmental safety, climate change and energy shortages. At the same time, it plays an important role in shaping sustainable development practices. With globalization and growing societal expectations for the sustainable use of forests, corporate social responsibility practices in the forest sector are gaining attention and increasing importance due to the environmentally sensitive nature of forest enterprises. CSR can help forestry companies improve stakeholder relationships, maintain legitimacy, achieve competitive advantage and ensure sustainable development. The article discusses the main aspects of social responsibility of business in the forest industry. Examples of implementation of CSR principles of forest companies of one of the server regions of Russia are given. It is shown that the social responsibility of forestry enterprises in the territories of presence as a tool for interaction between business, government and local communities is used only in subsidiaries of large federal companies. Small forest companies, on the other hand, have little incentive to support CSR principles. The fulfillment of social obligations for them is an exorbitant financial burden.

1 Introduction

In the economy of the Russian Federation, forest companies face serious problems associated with environmental degradation, trade conflicts, and irresponsible corporate behavior. For example, Russian forest companies have been accused of using large amounts of illegal timber. As government efforts to protect the environment intensify and environmental barriers to trade increase, corporate social responsibility (CSR) has become a new institution for the survival of forest companies in domestic and international markets.

Company size is one of the most important determinants of CSR in the forest sector. Most research in this area has shown the impact of company size on the CSR

* Corresponding author: Morozov589@gmail.com

content and levels. Han and Hansen [1] found a significant positive relationship between forest company sales and CSR adoption rates. Companies with higher annual sales tend to have higher CSR adoption level. Vidal and Kozak [2] believe that CSR content has a different focus in forest companies of different sizes. Large companies include all CSR activities, while small companies focus on a narrowed range of sustainability compliance.

According to resource theory, large forest companies have wide access to resources (forest, financial, institutional), which allows them to respond more effectively to business risks. This status obliges and encourages large companies to implement a wider range and higher levels of CSR. In contrast, small forest companies often have limited or inadequate resources, which may prevent them from participating in CSR initiatives [3].

From the perspective of firm image theory and stakeholder theory, large forest companies play a key social role among the stakeholders in their territories of operation. Such companies have not only a social but also an economic interest in being socially responsible. With economies of scale, the average cost of corporate social responsibility in large forest companies is much lower. This means that such companies can implement many more CSR attributes in their social policy without practically losing economic resources. In contrast, small forest companies have little or no incentive to support CSR principles. Fulfilling social obligations for them is an exorbitant financial burden [4].

The population of forest-resource territories, working in forest companies and participating in the creation of forest income, uses its results only indirectly. The social importance of direct consumers of forest income, namely the company owners, is justified and evaluated by the creation of favorable conditions for the growth of well-being of local communities. Thus, sustainable forest management includes not only effective economic actions, but also social compensation for these actions [5].

Russian forest companies are trying to find a balance between the economic, environmental and social elements of CSR. Global practices demonstrate the priority of environmental responsibility, especially for the forest sector [6]. However, the employment quality occupies a leading position in the ranking of CSR elements. Most forest companies face a high employee turnover, so they strive to create a better working environment. The priority is to attract more qualified employees and incentives to retain employees in companies. Economic means are used to implement responsible behavior toward employees, such as high salaries and social security. Noneconomic means are used to a lesser extent, such as employee development [7].

2 Research methodology

The methodological study approach is based on the concept of sustainable development and the model of sustainable forest management. The concept of sustainable development has found its rightful place in the model of sustainable forest management, in the formation of which Moiseev [8], [9], [10], A. Petrov [11], V. Petrov [12], A. Pisarenko [13], V. Strakhov [14] take an active position. The model is based on the principles of interests of local communities, forest companies and subjects of forest management in the process of their participation in forest management, which should be carried out without damage to the natural characteristics of forests and society.

Theoretical issues of corporate social responsibility development were developed in the works of

Abdokova L.Z.[15], Wittenberg E.Ya. [16], Danshina V.V. [17].

The key institution for sustainable forest management is forest certification. One of the main principles of forest certification is the social responsibility of business. On the territory of their presence, forest companies are obliged to implement a social policy, which should finally become compensation for the use of natural resources [5].

The study's empirical basis is the data of economic and sociological survey of a number of forest-resource areas of the Republic of Karelia, implemented in 2018.

3 Discussion

Let's consider examples of CSR implementation of some forest companies in the northern region of Russia – the Republic of Karelia. It should be noted that the CSR principles should not contradict the forest legislation of the Russian Federation. One of the most famous companies is Segezha TsBK JSC, which is part of the Segezha group of companies. Main activities: forest harvesting; construction and maintenance of year-round roads (over 1000 km per month); forest tending and reforest reproduction; transportation of roundwood to consumption points. The share of deliveries to the group's enterprises reaches 68%. In 2021, Segezha Group entered the TOP 30 (out of 200) most environmentally friendly companies in Russia, according to Forbes. This company is large, the number of employees at the enterprises reaches 13,000 people, of which about 3,700 in the Republic of Karelia and plays a significant role in the areas of presence. Among the CSR elements, the most significant are: certificates (management system, forest management); information on green manufacture; creating conditions for a comfortable life in the regions of presence; assistance to local communities; support for employees at enterprises; training of employees.

The next major forest company of the Republic of Karelia, which performs the city-forming function, is Kondopozhskiy TsBK JSC. One of the most important areas of the company's CSR is associated with occupational health and safety. The management carries out measures to reduce injury situations, supervises and checks the technical condition of equipment, practices traffic safety at the enterprise, etc. The company participates in various projects for technical improvement of machinery and equipment. Kondopozhskiy TsBK JSC provides employees with working clothes, safety shoes and personal protective equipment. For each employee in the electronic system of a specialized organization a record card is kept, in which clothing, footwear and PPE according to safety standards are entered.

An important element in the company's sustainability efforts is the “ecological line”. This is evidenced by the FSC certificate that confirms environmentally responsible forest management, which provides for the use of wood in manufacture without threatening the forest biodiversity and ecological functions. The enterprise is certified for compliance with the international environmental management standard ISO 14001:2004 (GOST R ISO 14001: 2007). Also, Kondopozhskiy TsBK JSC cooperates with various universities and educational centers to improve the skills of personnel. The enterprise was part of a pilot group of 16 Russian companies and became the first enterprise of the pulp and paper industry in the country, which received a comprehensive environmental permit. The enterprise also has a trade union organization that protects the workers' rights, a council of veterans, a council of young professionals who work with the local community on various issues, and actively participate in cultural and sporting events. The enterprise also has catering facilities, a clinic, and a hotel.

Another company is WWC Kalevala LLC, which is currently one of the largest domestic manufacturers of oriented strand board (OSB). Areas of CSR include the environment and occupational safety. The enterprise has installed equipment for cleaning the exhaust gas using a wet electrofilter. It almost completely separates dust and condensable organic compounds and meets the highest European environmental requirements. The enterprise carries out legal, socio-economic, organizational and technical, sanitary and hygienic, therapeutic and preventive, rehabilitation and other

activities. The site contains documents on recommendations for improving working conditions.

The Russian Wood Alliance is among the socially responsible companies of the Republic of Karelia. This is a professional team in the field of forest harvesting and woodworking, which is engaged in the manufacture of edged coniferous lumber, sliced products, wood fuel pellets. In the field of CSR, the company highlights:

- participation in regional programs to support education, culture and sports;
- assistance to children in need of urgent medical care;
- support for charitable children's funds;
- concern for the health and safety of its employees;
- new jobs;
- regular payment of respectable salary,
- reducing the negative impact on the environment;
- manufacture of high-quality goods and services;
- honesty and transparency in business operation.

The Russian Wood Alliance is implementing the Open Hearts Alliance corporate charity program. The company's charitable activities are marked by numerous appreciation letters from children's foundations and non-profit organizations, municipal administrations and organizers of sports and cultural events. The main charitable areas are:

- Sponsorship support for the development of children's and adult sports at regional and municipal venues;
- Help in support of cultural and historical; patriotic and environmental projects;
- Assistance for low-income citizens and disabled people.

Social and charitable programs are an important component of its corporate strategy, to which it pays special attention. The company is responsible for improving the quality of life of local communities.

Thus, subsidiaries of major Russian forest companies operating in the Republic of Karelia are quite in line with global CSR standards. The dominant direction in this case is the implementation of social projects within corporations. The “green economy” is in the second position. The social policy in the territory of presence completes this list.

At the same time, emphasis should be placed on the socially responsible behavior of small forest companies. As already mentioned, compared to large companies that are included in a wide range of CSR activities, small businesses focus on a narrowed format of compliance with the requirements of sustainable development. Resource theory explains that the limited or inadequate resources in their arsenal may prevent them from participating in CSR initiatives.

In 2018, to study the problems of forming socially responsible behavior of forest companies in the Republic of Karelia, a sociological survey of the population of forest-resource territories of the region was carried out. It should be noted that there are forestry companies in the territory of the survey, which belong to the category of small businesses. The survey involved 200 respondents.

The study showed (Table 1) that among the types of social support for local communities provided by the forest business, the answer “providing the population with firewood” received the maximum number of votes. Next are “road repairs and cleaning” and “gifts to war veterans and labor veterans”. At the same time, the participation of enterprises in social projects aimed at helping schools, heating systems, construction of playgrounds, repair of hospitals and cultural organizations is very poorly represented. Charitable activities aimed at providing material assistance to families with many children and the poor are practically non-existent.

Table 1. Respondents' answers on social support for business in the territories. Source: compiled by the authors.

| What types of social support does the local forest business provide in the development of your territory (settlement)? | % |
|---|----------|
| Financial assistance to large families | 0 |
| Repair of hospital, cultural center | .7 |
| Construction of playgrounds | 2 |
| Financial assistance to former employees who have got into difficulties | .9 |
| Arrangement of heating systems | 2 |
| Help for school | .4 |
| Gifts to WWII participants and labor veterans | 1 |
| Road repairs and cleaning | 1.4 |
| Providing the population with firewood | 2.9 |
| Other | 2 |
| Not sure | 1.4 |
| Not sure | 1 |
| Not sure | 0.7 |
| Not sure | 1 |
| Not sure | 00 |

The existing structure of social support for the territory of presence testifies to the passive role of forest companies, which does not correspond to the stakeholders' principles.

At the same time, social support for employees of forest companies has a different, more favorable structure. They pay special attention to the employees' health. The main focus is on the annual professional examination, which was confirmed by almost 35% of respondents. The serious attitude of enterprise management to health is confirmed by financial support for the recreation of employees and their children. Almost 20% of surveyed residents noted that the forest company operating in their territory organizes recreation and leisure activities for employees and their families; provides partial compensation for the cost of health resort treatment; as well as pays for trips to health camps for employees' children. According to 5% of respondents, the management of enterprises provides partial reimbursement of the medical care cost (expensive operations, diagnostic procedures, etc.). Thus, the social behavior of forest companies towards their employees has a more CSR-oriented vector. As the survey results show, companies demonstrate elements of social responsibility, aimed mainly at preserving the health of enterprise employees.

One of the most important elements of CSR is the established practice of safety engineering (SE) at enterprises. About 20% of respondents believe that enterprises have a well-organized system of SE and labor protection. According to 27% of respondents, limited financial resources are allocated for safety engineering. The SE system was rated low by 4% of respondents. At the same time, 45% of those surveyed could offer no opinion. Thus, according to the local residents, only half of the quality issues of the working environment and safety engineering are solved by forest companies.

A key indicator of the company's compliance with CSR principles is the policy of local employment. The forest economy needs highly qualified specialists. But today this demand is not supported by the supply of the local population – the available human capital is not

enough to use it in new technologies. Workers and engineers working at forest enterprises do not fully meet the required level, which is often due to the problem of loss of skills and knowledge during periods of prolonged unemployment of once-qualified specialists [18].

The survey data show that the conditions imposed by employers when hiring significantly narrows the range of employment opportunities for many locals. The practice of hiring local people is limited. Even for young, non-drinking people with a technical specialty, jobs are available only rarely (from 2% to 7%). Vocational training of new personnel from the local population is virtually non-existent.

In this context, the respondents' assessment of the compliance of the forest business hiring policy with the principles of social responsibility is completely justified. More than 70% of them practically (22% – no; 51% – very unlikely) do not find such a match. Thus, the local population does not see the forest companies as actors interested in territory development.

At the same time, the institute of forest certification was formed 20 years ago and has an established tradition, which establishes rules that include social responsibility as a basic principle of doing business. The forest certificate confirms that the forest is harvested without damage to nature and society.

As of March 31, 2021, 223.84 million hectares of planted forests were certified worldwide, 46288 CoC certificates and 1781 FM/CoC certificates were issued. A map of FSC-certified forests and chain of custody certificate holders has been developed for the Russian Federation.

But as the research results show, the population of forest areas is not quite familiar with the fact that the institute of forest certification exists at all. Almost 80% of respondents do not know what a forest certificate is. Such low awareness indicates a lack of communication between the population, business and local government in the area. However, in order to operate successfully, businesses need the loyalty of the local government and population. This loyalty can be ensured by taking part in solving the urgent social problems of the territory, in which business is not yet active.

In this context, the question of the local authorities' ability to influence the forest business behavior is relevant. According to the survey, a quarter of respondents see such a possibility only if there is political will on the part of the federal government. For this, in our opinion, it is necessary to legislate this rule. About 20% of respondents believe that such a possibility is possible only if the interests of business and local government coincide. Therefore, 13% of respondents answered that due to the lack of a provision in the current legislation that legislates the social responsibility of business, there can be no such influence. Thus, the local authorities have no formal leverage over the forest business.

4 Conclusions

The social responsibility of forestry enterprises in the territories where they operate as a tool of interaction between business, government, and local communities is used only in the subsidiaries of major federal companies. From the perspective of firm image theory and stakeholder theory, large forest companies play a key social role among the stakeholders in their territories of operation. Such companies have not only a social, but also an economic interest in being socially responsible.

Subsidiaries of major Russian forest companies operating in the Republic of Karelia are quite in line with global CSR standards. The dominant direction in this case is the implementation of social projects within corporations. The “green economy” is in the second position. The social policy in the territory of presence completes this list.

In contrast, small forest companies have little or no incentive to support CSR principles. Fulfilling social obligations for them is an exorbitant financial burden. This is evidenced by the results of our research.

The existing structure of social support for the territory of presence testifies to the passive role of medium-sized forest companies, which does not correspond to the CSR principles. At the same time, the social behavior of forest companies towards their employees has a more CSR-oriented vector, aimed mainly at preserving the health of the enterprises' employees. According to the local residents, only half of the quality issues of the working environment and safety engineering are solved by forest companies.

The practice of hiring local people is restrictive. The conditions imposed by employers when hiring significantly narrow the range of employment opportunities for many locals. The forest business interests are poorly connected with the problems of the local population, who, with restrictions on the labor market, cannot realize their labor potential.

The analysis of the relationship of business social responsibility has shown that the majority of companies operating in the region do not have motivation and financial means to develop employees' human capital. Subsidiaries of large companies implement an internal strategy (invest in the employees' health). Parent companies support human capital at the country and international levels. Regional human capital is practically not invested.

The local authorities have no formal leverage over the forest business. The local population does not see forest companies as actors interested in territory development. However, in order to operate successfully, businesses need the loyalty of the local government and population.

A deadlock is developing. The solution to the problem of increasing social responsibility of medium-sized forest companies lies in the intersection of forest, municipal, labor, tax, and social legislation.

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